

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

PROMEDEV, LLC,

Plaintiff,

v.

ROBY WILSON, et al.,

Defendants.

CASE NO. C22-1063JLR

ORDER

I. INTRODUCTION

Before the court is Plaintiff Promedev, LLC's ("Promedev") motion to dismiss several of Defendant MaXXiMedia Advertising Co.'s ("MaXXiMedia") amended counterclaims and to strike certain allegations in MaXXiMedia's amended counterclaims. (Mot. (Dkt. # 26); Reply (Dkt. # 30).) MaXXiMedia opposes the motion. (Resp. (Dkt. # 29).) The parties also filed supplemental briefing in response to the court's February 9, 2023 order. (2/9/23 Min. Order (Dkt. # 33); Supp. Resp. (Dkt. # 34); Supp. Reply (Dkt. # 39).) The court has reviewed the parties' submissions, the balance of the record, and

relevant law. Being fully advised,¹ the court GRANTS in part and DENIES in part Promedev's motion to dismiss and DENIES Promedev's motion to strike.

II. BACKGROUND

This case arises out of an agency relationship between the parties in which Defendants Roby Wilson and MaXXiMedia managed the purchase, production, and placement of television advertising for Plaintiff Promedev's nutritional supplement, "Relief Factor." (*See* Compl. (Dkt. # 1) ¶¶ 27-31, Ex. A (the "Agreement"); Am. Counterclaim (Dkt. # 25) ¶¶ 2-3.) Peter and Seth Talbott, a father and son who are cofounders and owners of Promedev, hired MaXXiMedia in 2018 to act as Promedev's advertising agent for the Relief Factor product. (Am. Counterclaim ¶ 3.)

MaXXiMedia eventually learned that Promedev had a third owner, Dr. Jerry Mixon, who MaXXiMedia alleges formulated the Relief Factor product and was the controlling owner of Promedev. (*Id.* ¶ 9.) MaXXiMedia further alleges that the Talbotts and Promedev concealed these facts, as well as Dr. Mixon's "history of complaints and sanctions before various medical boards, and a litigation history of alleged fraud." (*Id.*) MaXXiMedia does not, however, allege that Promedev denied Dr. Mixon's involvement. (*See generally id.*) At all times relevant to this case, Dr. Mixon's ownership of the company was publicly available in corporate filings with the Washington Secretary of

¹ MaXXiMedia requests oral argument (*see* docket entry 29) but does not include its request in the caption of its pleading (*see* Resp. at 1), as required by this court's local rules. *See* Local Rules W.D. Wash. LCR 7(b)(4). Promedev does not request oral argument. (*See* Mot. at 1.) The court has determined that oral argument would not be helpful to its disposition of the motion. *See* Local Rules W.D. Wash. LCR 7(b)(4).

1 State. (*See* Decl. of Kristina Fernandez Mabrie (Dkt. # 27) ¶¶ 2-7, Exs. 1-6 (“Promedev
2 Corporate Filings”) (showing that Dr. Mixon, Seth Talbott, and Peter Talbott were each
3 registered members of Promedev, LLC from 2016-2021).²)

4 Under the parties’ arrangement, MaXXiMedia used its existing relationships with
5 national television networks to negotiate advertising rates and placements for Promedev
6 in exchange for a 15% agency fee. (*Id.* ¶¶ 2, 5.) MaXXiMedia also began producing the
7 advertising content for Promedev. (*Id.* ¶¶ 6-7.) The parties operated under a verbal
8 agreement from the commencement of the relationship in 2018 until July 2020, when the
9 parties negotiated and executed the Agreement. (*See* Compl. ¶¶ 15-16; Ans. (Dkt. # 18)
10 ¶ 15; Am. Counterclaim ¶¶ 5, 13.)

11 Under the written Agreement, MaXXiMedia would receive an agency commission
12 of six percent of monthly gross television media expenditures, not to exceed \$50,000 or
13 fall below \$30,000. (Agreement § 4.) In exchange, MaXXiMedia would continue to
14 negotiate advertising rates and placements directly with television networks and then
15 submit invoices to Promedev for the purchases. (*Id.* §§ 1,5.) The Agreement’s
16 confidentiality provision prohibits each party from using for its own benefit or disclosing
17 to third parties any confidential business information, including “work product.” (*Id.*

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19
20 ² The court takes judicial notice of the Promedev Corporate Filings. *See* Fed. R. Evid.
21 201(b) (“A judicially noticed fact must be one not subject to reasonable dispute in that it is either
22 (1) generally known within the territorial jurisdiction of the trial court or (2) capable of accurate
and ready determination by resort to sources whose accuracy cannot be reasonably questioned.”);
see also Locals 302 & 612 of Int’l Union of Operating Eng’rs Constr. Health & Sec. Fund v. AEI
Williams Grp., Co., No. C19-0616JLR, 2020 WL 569828, at *2 n.2 (W.D. Wash. Feb. 5, 2020)
(taking judicial notice of corporate filings with the Washington Secretary of State).

§ 7.) The Agreement defines “work product” as “Media buying services, work or materials . . . created by [MaXXiMedia]” and provides that such “work product” “remains the sole property of” MaXXiMedia. (*Id.* § 8 (providing further that Promedev “is leasing the use of the ‘Work Product’”).) Finally, the Agreement provides that “[u]pon payment in full to [MaXXiMedia], [Promedev] shall have full rights and ownership of any ‘creative product.’” (*Id.*) The Agreement does not define “creative product.” (*See generally id.*) The Agreement grants either party the right to terminate the Agreement for any reason upon 60 days’ written notice to the other party, and provides that upon termination, Promedev “shall promptly pay all sums owed to [MaXXiMedia] to and including the effective date of termination, including any future non-cancelable commitments after the termination date” (the “Termination Clause”). (*Id.* § 13.)

On July 1, 2022, Promedev communicated its intent to terminate the Agreement, pursuant to the Termination Clause. (Compl. ¶ 34, Ex. B (“Termination Letter”); Am. Counterclaim ¶ 28.) Promedev indicated that termination would be effective August 31, 2022, and sought confirmation of Promedev’s “rights and ownership of any ‘creative product’ created by [MaXXiMedia].” (Termination Letter.) Promedev also informed MaXXiMedia that for the duration of the parties’ relationship, it would continue to pay MaXXiMedia’s commissions per the terms of the Agreement, but would pay the television networks directly, rather than through MaXXiMedia. (Am. Counterclaim ¶¶ 24, 28; Compl. ¶ 35.) In response, MaXXiMedia notified Promedev that it considered Promedev’s intention to pay the networks directly an anticipatory breach of the

1 Agreement. (Compl. ¶ 37; Am. Counterclaim ¶ 24.) MaXXiMedia subsequently
2 submitted invoices to Promedev on July 15, 2022, for “a buyout of the creative product.”
3 (Am. Counterclaim ¶ 28; Compl. ¶ 48, Ex. C (“Invoices”); *see also* Ans. ¶ 48 (not
4 disputing the authenticity of Invoices).)

5 In discussions surrounding the termination of the Agreement, MaXXiMedia
6 indicated that it had registered copyrights for each of the commercials it produced for
7 Promedev while the Agreement was in effect between July 2020 and August 31, 2022.
8 (Compl. ¶ 51; *see also* Am. Counterclaim ¶ 52 (describing registered copyrights for eight
9 commercials).) MaXXiMedia does not allege that it registered copyrights for any other
10 commercials. (*See generally* Am. Counterclaim.)

11 Thereafter, Promedev initiated the instant action, asserting various contract claims
12 against MaXXiMedia. (*See generally* Compl.) MaXXiMedia then asserted multiple
13 counterclaims against Promedev, including, in relevant part: copyright infringement;
14 misappropriation of trade secrets in violation of the federal Defend Trade Secrets Act
15 (“DTSA”) and the Washington Uniform Trade Secrets Act (“WUTSA”); violation of the
16 Washington Consumer Protection Act (“WCPA”); and fraudulent inducement and
17 fraudulent misrepresentation. (Am. Counterclaim ¶¶ 30-90.) Promedev now moves to
18 dismiss MaXXiMedia’s fourth, fifth, and sixth amended counterclaims and to strike
19 certain allegations in support of MaXXiMedia’s third amended counterclaim for
20 copyright infringement as well as its demand for disgorgement of profits. (*See* Mot. at
21 16.)
22

III. ANALYSIS

The court begins by reviewing the legal standard for a motion to dismiss and analyzing Promedev's motion to dismiss MaXXiMedia's fourth, fifth, and sixth amended counterclaims. The court then reviews the legal standard for a motion to strike and addresses Promedev's motion to strike.

A. Legal Standard for a Motion to Dismiss

Federal Rule of Civil Procedure 12(b)(6) provides for dismissal when a complaint or counterclaim "fail[s] to state a claim upon which relief can be granted." Fed. R. Civ. P. 12(b)(6). Under this standard, the court construes the counterclaim in the light most favorable to the nonmoving party, *Livid Holdings Ltd. v. Salomon Smith Barney, Inc.*, 416 F.3d 940, 946 (9th Cir. 2005), and asks whether the counterclaim contains "sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face,'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). The court need not, however, "accept as true allegations that contradict matters properly subject to judicial notice or by exhibit." *Sprewell v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001). Nor is the court required to accept as true legal conclusions or "formulaic recitation[s] of the legal elements of a cause of action." *Chavez v. United States*, 683 F.3d 1102, 1008 (9th Cir. 2012). "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Iqbal*, 556 U.S. at 678.

MaXXiMedia’s amended counterclaims for violation of the WCPA, fraudulent inducement, and fraudulent misrepresentation are subject to the heightened pleading standards of Rule 9(b), which provides that, “[i]n alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake.” Fed. R. Civ. P. 9(b); *see also REX – Real Estate Exch, Inc. v. Zillow Inc.*, C21-0312TSZ, 2021 WL 3930694, at *7 (W.D. Wash. Sept. 2, 2021) (applying Rule 9(b)’s heightened pleading standard to a WCPA claim alleging deceptive practices). Rule 9(b)’s standard is relaxed, but not eliminated, for claims of fraud by omission. *Carideo v. Dell, Inc.*, 706 F. Supp. 2d 1122, 1132 (W.D. Wash. 2010) (citing *Falk v. Gen. Motors Corp.*, 496 F. Supp. 2d 1088, 1098-99 (N.D. Cal. 2007)); *Asghari v. Volkswagon Grp. of Am., Inc.*, 42 F. Supp. 3d 1306, 1325 (C.D. Cal. 2013) (requiring that “a plaintiff pleading fraudulent omission or concealment must still plead the claim with particularity”).

B. Misappropriation of Trade Secrets in Violation of the DTSA and WUTSA

“A claim under the WUTSA requires a plaintiff to plead (1) the existence of a protectable trade secret, and (2) facts constituting misappropriation.” *NW Monitoring LLC v. Hollander*, 534 F. Supp. 3d 1329, 1336 (W.D. Wash. 2021). Claims for misappropriation under the federal DTSA “are substantially similar.” *Id.* (citing 18 U.S.C. § 1839).

A trade secret is defined as “information, including a formula, pattern, compilation, program, device, method, technique, or process” that “[d]erives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value

1 from its own disclosure or use” and “[i]s a subject of efforts that are reasonable under the
 2 circumstances to maintain its secrecy.” RCW 19.108.010(4)(a)-(b). Although “[t]he
 3 definition of trade secret is broad,” *see also NW Monitoring*, 534 F. Supp. 3d at 1336, it is
 4 not limitless, and the proponent must plausibly allege that “the information possess[es]
 5 some novelty” in order to warrant trade secret protection, *see Boeing Co. v. Sierracin*
 6 *Corp.*, 738 P.2d 665, 674 (Wash. 1987). Information is “novel” if it is not “readily
 7 ascertainable from another source.” *Belo Mgmt. Servs., Inc. v. ClickA Network*, 343 P.3d
 8 370, 375 (Wash. Ct. App. 2014). To determine whether information has “independent
 9 economic value,” courts look to the effort and expense expended in developing the
 10 information. *Ed Nowogroski, Inc. v. Rucker*, 971 P.2d 936, 942 (Wash. 1999).

11 A claimant “seeking relief for trade secret misappropriation must identify the trade
 12 secret ‘with sufficient particularity . . . to permit the defendant to ascertain at least the
 13 boundaries within which the secret lies.’” *Bombardier Inc. v. Mitsubishi Aircraft Corp.*,
 14 383 F. Supp. 3d 1169, 1178 (W.D. Wash. 2019) (quoting *SMS Signature Cars v.*
 15 *Connects Marketing LLC*, SACV 12-1300 JVS (ANx), 2012 WL 12893935, at *2 (C.D.
 16 Cal. Oct. 29, 2012)).

17 The proponent of a claim for trade secret misappropriation must also establish that
 18 it made reasonable efforts to maintain the secrecy of its alleged trade secrets. *See* RCW
 19 19.108.010(4). “[R]easonable efforts to maintain secrecy have been held to include
 20 advising employees of the existence of a trade secret, limiting access to a trade secret on
 21 need-to-know basis, and controlling plant access.” *Machen, Inc. v. Aircraft Design, Inc.*,
 22 828 P.2d 73, 76-79 (Wash. Ct. App. 1992), *overruled on other grounds by Waterjet*

1 *Tech., Inc. v. Flow Int’l Corp.*, 996 P.2d 598 (Wash. 2000). The proponent may
2 confidentially disclose a trade secret without losing trade secret protections. *Boeing Co.*,
3 738 P.2d at 676; *OTR Wheel Eng’g, Inc. v. W. Worldwide Servs.*, 602 F. App’x 669, 672
4 (9th Cir. 2015) (concluding that evidence of confidentiality agreements that bound the
5 allegedly appropriating party were sufficient to show efforts to maintain secrecy).

6 Misappropriation is the unauthorized disclosure or use of a trade secret by a
7 person who knew his or her knowledge of the trade secret was “acquired under
8 circumstances giving rise to a duty to maintain its secrecy or limit its use.” *Ed*
9 *Nowogroski*, 971 P.2d at 942 (citing RCW 19.108.010(2)); *see also A Place for Mom v.*
10 *Perkins*, 475 F. Supp. 3d 1217, 1225 (W.D. Wash. 2020) (“Thus, misappropriation
11 requires proof of improper acquisition, disclosure, or use.”).

12 MaXXiMedia alleges Promedev misappropriated trade secrets by “disseminating
13 and/or causing proprietary rate and/or billing information to be communicated to
14 television networks” and communicating those rates “and/or contact lists” to “third
15 parties,” in violation of the Agreement’s confidentiality provision. (Am. Counterclaim
16 ¶ 62.) Promedev contends that MaXXiMedia has failed to (1) allege that its billing rates
17 or contact lists are sufficiently unique, innovative, or novel to merit trade secret
18 protection; (2) identify the alleged trade secrets with sufficient particularity; and
19 (3) demonstrate that Promedev improperly obtained the alleged trade secrets. (Mot. at
20 16-21.)

21 The court concludes that MaXXiMedia has stated a plausible claim for
22 misappropriation of trade secrets. First, MaXXiMedia has identified the information it

1 seeks to protect with sufficient particularity “to permit the defendant to ascertain at least
 2 the boundaries within which the secret lies,”” *Bombardier*, 383 F. Supp. 3d at 1178, by
 3 describing “rate and billing information related to its exclusive negotiations for ad
 4 placement with television networks” as “trade secrets,” (Am. Counterclaim ¶ 20).
 5 Second, MaXXiMedia alleges that it has “spent years developing its reputation and
 6 relationships with networks enabling it to develop and negotiate exclusive rate and billing
 7 structure arrangements to implement for the economic benefit of its clients.” (Am.
 8 Counterclaim ¶ 63.) Thus, MaXXiMedia has alleged that the rate or billing information
 9 has some independent economic value due to the time and expense incurred in creating it.
 10 *Nowogroski, Inc.*, 971 P.2d at 942.³ Third, MaXXiMedia further alleges that the rate or
 11 billing information was subject to confidentiality agreements (*see, e.g.*, Am.
 12 Counterclaim ¶ 20 (quoting Agreement § 7 (confidentiality provision)); *id.* ¶¶ 64-65
 13 (discussing application of the Agreement’s confidentiality provision to the rate and
 14 billing information)), thereby discharging its burdens to allege the information was not
 15 readily ascertainable from another source, *Belo Mgmt.*, 343 P.3d at 375, and subject to
 16 some effort to maintain secrecy, *Boeing Co.*, 738 P.2d at 676.

17
 18 ³ Promedev cites two Washington court of appeals opinions in support of its argument
 19 that negotiated rates and billing information, by their nature, are not trade secrets. (*See* Mot. at
 20 19-20 (first citing *Robbins, Geller, Rudman & Dowd, LLP v. State*, 328 P.3d 905, 912 (Wash. Ct.
 21 App. 2014); and then citing *Belo Mgmt.* 343 P.3d at 375-76).) At this stage, Promedev’s reliance
 22 on these cases is misplaced. In both cases, the appellate courts were engaged in *de novo* review
 of injunctions, in which the burden imposed on a proponent of trade secret protections is much
 higher than the burden imposed at the motion to dismiss stage, where the proponent need only
 plausibly allege the elements of its claim. *See Belo Mgmt.* 343 P.3d at 374; *Robbins*, 328 P.3d at
 910; *see also Tyler Pipe Indus., Inc. v. State, Dept. of Revenue*, 638 P.2d 1213, 1217 (Wash.
 1982) (articulating the legal standard for injunctions under Washington law). Promedev may
 raise this argument at a later time, if at all.

Fourth and finally, MaXXiMedia alleges that Promedev used the rate or billing information when it began to pay the television networks directly, contrary to the parties' Agreement. (Am. Counterclaim ¶ 24.) This allegation is enough to plausibly allege misappropriation or the "improper . . . use" of the pricing and billing information. *A Place for Mom*, 475 F. Supp. 3d at 1225. Promedev's argument that it "rightfully" obtained these alleged trade secrets is unavailing. (*See* Mot. at 20-21.) At this phase, MaXXiMedia need only allege, as it has done, that Promedev acquired the rate or billing information "under circumstances giving rise to a duty to maintain its secrecy or limit its use." *Nowogroski, Inc.*, 971 P.2d at 942; *see also Boeing Co.*, 738 P.2d at 676 (a company does not lose trade secret protections by confidentially disclosing them). The court concludes that MaXXiMedia has plausibly alleged a counterclaim for trade secret misappropriation and DENIES Promedev's motion to dismiss this counterclaim.

C. Violation of the WCPA

To recover under the WCPA, a plaintiff must show an "(1) unfair or deceptive act or practice; (2) occurring in trade or commerce; (3) public interest impact; (4) injury to plaintiff in his or her business or property; [and] (5) causation." *Hangman Ridge Training Stables, Inc. v. Safeco Title Ins. Co.*, 719 P.2d 531, 533 (Wash. 1986). A defendant "need not affirmatively state an untrue fact to have committed a deceptive practice" under the WCPA. *Stephens v. Omni Ins. Co.*, 159 P.3d 10, 19 (Wash. 2007). Conduct is "deceptive" if it "has a capacity to deceive a substantial portion of the public," *Hangman Ridge*, 719 P.2d at 535, and "misleads or misrepresents something of material importance," *Holiday Resort Cmty. Ass'n v. Echo Lake Assocs.*, 135 P.3d 499, 507

(Wash. Ct. App. 2006). MaXXiMedia’s amended counterclaim for violations of the WCPA is subject to Rule 9(b)’s heightened pleading standard. (*See supra* § III.A.)

MaXXiMedia alleges that Promedev’s failure to disclose Dr. Mixon’s ownership was an unfair or deceptive practice that “deceived” MaXXiMedia and “consumers.” (Am. Counterclaim ¶¶ 77, 79.) Specifically, MaXXiMedia alleges that Promedev “misrepresented” its ownership by portraying the Talbotts “as the father-son team that founded Relief Factor.” (Resp. at 11; Am. Counterclaim ¶¶ 75, 77 (alleging Promedev “misrepresent[ed] the identity of ownership of Relief Factor”).) MaXXiMedia further alleges that its own “goodwill has suffered and continues to suffer injury due to Promedev’s deceptive act and exposure to potential liability by way of participating in production of the commercials.” (Am. Counterclaim ¶ 80.) Promedev argues that MaXXiMedia fails to allege an unfair or deceptive act or identify any injury to MaXXiMedia itself or to the public interest, as a result of Promedev’s failure to affirmatively disclose Dr. Mixon’s ownership. (Mot. at 25-28.) In particular, Promedev notes that the fact of Dr. Mixon’s ownership and his disciplinary records were, at all times, publicly available. (Mot. at 22 (citing Promedev Corporate Filings), 24 n.8; *see generally* Resp. (not addressing public availability of allegedly concealed information); *see also* Am. Counterclaim ¶ 11 (describing Dr. Mixon’s disciplinary record before the Washington Department of Health).) MaXXiMedia does not allege that Promedev ever denied Dr. Mixon’s involvement or affirmatively represented that the Talbotts were Promedev’s only owners. (*See generally* Am. Counterclaim.)

MaXXiMedia does not plausibly allege that Promedev’s failure to affirmatively disclose Dr. Mixon’s ownership of Promedev was a “deceptive act” that “misrepresents something of material importance.” *Holiday Resort Cmty. Ass’n*, 135 P.3d at 507. MaXXiMedia fails to identify any authority that recognizes as “of material importance” the identities of the owners of a company selling a product, or as “deceptive” the incomplete disclosure thereof.⁴ (*See generally* Resp.) MaXXiMedia does not allege that Promedev ever denied Dr. Mixon’s ownership, nor does it dispute that Dr. Mixon’s ownership of Promedev was publicly available, both to MaXXiMedia itself and to any consumer who cared to research the company before purchasing Relief Factor. (Am. Counterclaim ¶¶ 82-90; *see generally* Resp.; *see also* Promedev Corporate Filings.)

Because MaXXiMedia has failed to establish the first element of its WCPA counterclaim, the court need not discuss the additional elements or Promedev’s remaining arguments. The court GRANTS Promedev’s motion to dismiss MaXXiMedia’s WCPA counterclaim.

D. Fraudulent Inducement and Fraudulent Misrepresentation

Under Washington law, claims that sound in fraud consist of (1) a representation of a fact; (2) the fact’s falsity; (3) the fact’s materiality; (4) the speaker’s knowledge of the statement’s falsity; (5) the listener’s lack of awareness that the statement is false;

⁴ Indeed, under MaXXiMedia’s theory, any company that fails to list every single owner in an advertisement would be subject to liability under the WCPA. (*See* Resp. at 15.) MaXXiMedia offers no authority in support of this theory and the court declines to impose such an obligation—particularly where the allegedly withheld information was publicly available. (*See* Promedev Corporate Filings.)

(6) the speaker’s intent for the listener to act on the statement; (7) the listener’s right to rely on the truth of the statement; (8) the listener’s actual reliance on the truth of the statement; and (9) the listener’s subsequent damage. *See Sigman v. Stevens-Norton, Inc.*, 425 P.2d 891, 895 (Wash. 1967). The absence of any of the nine elements is fatal to recovery. *Puget Sound Nat. Bank v. McMahon*, 330 P.2d 559, 561 (Wash. 1985).

Fraudulent misrepresentation by omission occurs when the parties’ relationship imposes a duty to disclose material facts; in such cases, failure to disclose with the intent to deceive will amount to fraud. *Oates v. Taylor*, 199 P.2d 924, 927 (Wash. 1948). However, in such circumstances, “[m]ere silence does not constitute fraud when it relates to matters . . . discoverable by the exercise of ordinary diligence, or where the means of information are as accessible to one party as to the other.” *Lincoln v. Keene*, 316 P.2d 899, 901 (Wash. 1957). MaXXiMedia’s amended counterclaims for fraudulent inducement and fraudulent misrepresentation are subject to Rule 9(b)’s heightened pleading standard. (*See supra* § III.A.)

MaXXiMedia’s amended counterclaims for fraudulent inducement and fraudulent misrepresentation derive from the same facts as its counterclaim under the WCPA; namely, that Promedev made material misrepresentations by identifying only the Talbotts as owners and co-founders of Promedev and omitting Dr. Mixon’s ownership, intending for MaXXiMedia to rely on its representations. (Am. Counterclaim ¶¶ 83-84.)

Promedev argues, in relevant part, that its representations regarding the Talbotts’ ownership were not false, that MaXXiMedia had access to the omitted information, and that Promedev owed no duty of disclosure to MaXXiMedia. (Mot. at 22-24; Reply at

7-9.) MaXXiMedia responds that Promedev “had a duty to disclose all the information it knew would pose a conflict,” and that the fact of Dr. Mixon’s ownership is material to the parties’ Agreement. (Resp. at 14 (citing *U.S. Sec. & Exch. Comm’n v. Hui Feng*, 935 F.3d 721, 735 (9th Cir. 2019)).)

MaXXiMedia fails to plausibly allege that Promedev’s representations that the Talbotts owned and founded Promedev were false. Although MaXXiMedia alleges that the Talbotts “falsely represented” that they owned and founded Promedev (Am. Counterclaim ¶ 82), this allegation is contrary to publicly available facts (*see* Promedev Corporate Filings (listing the Talbotts as members of Promedev LLC)). Although the court must generally accept as true the facts alleged in MaXXiMedia’s amended counterclaim, *see Iqbal*, 556 U.S. at 678, the court need not accept allegations that contradict the Promedev Corporate Filings, which are subject to judicial notice, *Sprewell*, 266 F.3d at 988. Moreover, MaXXiMedia does not allege that Promedev ever represented that the Talbotts were the only owners, to the exclusion of all others (*see generally* Am. Counterclaim; *see also supra* § III.C).⁵ Therefore, MaXXiMedia fails to plausibly allege that Promedev’s statements regarding its ownership were false.

⁵ *Chen v. State* is instructive. 937 P.2d 612, 615-16 (Wash. Ct. App. 1997). There, the employer did not commit fraud by stating that the only other employee terminated during probation committed gross misconduct, but terminating the plaintiff for a different reason, because the employer’s statement was not false. *Id.* at 616 (“The statement was simply an explanation of the reason one psychiatrist had failed to pass probation. It was not a representation that one can fail probation *only* by committing gross misconduct.” (emphasis in original)). Similarly, here, Promedev represented that the Talbotts were the owners and co-founders, but MaXXiMedia does not plausibly allege that Promedev asserted they were the *only* owners and co-founders. (*See generally* Am. Counterclaim.)

MaXXiMedia’s alternative argument—that Promedev had a duty to affirmatively disclose Dr. Mixon’s ownership, and that its failure to do so amounted to fraudulent misrepresentation by omission—also fails. (*See* Resp. at 14.) As repeatedly noted, Promedev’s ownership was readily “discoverable by the exercise of ordinary diligence,” and accessible to both parties. *See Lincoln*, 316 P.2d at 901; (*see also* Promedev Corporate Filings). Accordingly, MaXXiMedia has not plausibly alleged that Promedev fraudulently misrepresented its ownership by omitting material facts. The court need not reach Promedev’s additional arguments.

The court GRANTS Promedev’s motion to dismiss MaXXiMedia’s amended counterclaims for fraudulent inducement and fraudulent misrepresentation.

E. Leave to Amend

On a Rule 12(b)(6) motion, “a district court should grant leave to amend . . . unless it determines that the pleading could not possibly be cured by the allegation of other facts.” *Cook, Perkiss & Liehe v. N. Cal. Collection Serv.*, 911 F.2d 242, 247 (9th Cir. 1990). The court, however, retains discretion to deny leave to amend, particularly where the party has previously amended its claims. *Sisseton-Wahpeton Sioux Tribe v. United States*, 90 F.3d 351, 355 (9th Cir. 1996); *Turner v. Cnty. of Los Angeles*, 18 F. App’x 592, 597 (9th Cir. 2001) (concluding that the court did not abuse its discretion in denying the second amended complaint with prejudice and without leave to amend where the court had already allowed the plaintiff to amend its complaint); *Kendall v. Visa U.S.A., Inc.*, 518 F.3d 1042, 1052 (9th Cir. 2008) (“Appellants fail to state what additional facts

1 they would plead if given leave to amend Accordingly, amendment would be
 2 futile.”).

3 Promedev seeks dismissal of MaXXiMedia’s fourth, fifth, and sixth amended
 4 counterclaims with prejudice and without leave to amend. (Mot at 30; Reply at 12.)
 5 MaXXiMedia has already amended its counterclaims once (*see* Dkt.) and does not
 6 request leave to amend here (*see generally* Resp.). However, in an abundance of caution,
 7 the court concludes that MaXXiMedia’s amended counterclaim for violations of the
 8 WCPA may possibly be cured by amendment and grants MaXXiMedia leave to amend
 9 that counterclaim. MaXXiMedia’s amended counterclaim for fraudulent inducement and
 10 fraudulent misrepresentation, by contrast, cannot be saved by amendment. (*See supra*
 11 § III. D.) MaXXiMedia may file a second amended counterclaim as to its WCPA
 12 counterclaim no later than **March 13, 2023**. The court warns MaXXiMedia that failure
 13 to timely amend its WCPA counterclaim that remedies the deficiencies identified herein
 14 will result in the dismissal of that claim with prejudice.

15 **F. Legal Standard for a Motion to Strike**

16 Under Federal Rule of Civil Procedure 12(f), a court may “strike from a pleading
 17 an insufficient defense or any redundant, immaterial, impertinent, or scandalous matter.”
 18 Fed. R. Civ. P. 12(f). A matter is immaterial if it “has no essential or important
 19 relationship to the claim for relief or defenses pleaded.” *See Fantasy, Inc. v. Fogerty*,
 20 984 F.2d 1524, 1527 (9th Cir. 1993), *rev’d on other grounds*, 510 U.S. 517 (1994)
 21 (quoting 5C Charles A. Wright & Arthur R. Miller, *Federal Practice and Procedure*
 22

§ 1382 (3d ed. 2022)). A matter is impertinent if it does not pertain and is not necessary to the issues in the case. *See id.*

“Motions to strike are generally regarded with disfavor because of the limited importance of pleading in federal practice, and because they are often used as a delaying tactic.” *Cal. Dep’t of Toxic Substances Control v. Alco Pac., Inc.*, 217 F. Supp. 2d 1028, 1032-33 (C.D. Cal. 2002). A motion to strike will not be granted unless “the matter has no logical connection to the controversy at issue and may prejudice one or more of the parties to the suit.” *N.Y.C. Emps. Ret. Sys. v. Berry*, 667 F. Supp. 2d 1121, 1128 (N.D. Cal. 2009) (quoting *Rivers v. Cnty. of Marin*, No. C 05-4251, 2006 WL 581096, at *2 (N.D. Cal. 2006)). “Where the moving party cannot adequately demonstrate such prejudice, courts frequently deny motions to strike ‘even though the offending matter literally [was] within one or more of the categories set forth in Rule 12(f).’” *J & J Sports Prods., Inc. v. Luhn*, Civ. No. 2:10-3229 JAM-CKD, 2011 WL 5040709, at *2 (E.D. Cal. Oct. 24, 2011) (quoting *N.Y.C. Emps. Ret. Sys.*, 667 F. Supp. 2d at 1128). “A federal court will not exercise its discretion under Rule 12(f) to strike a pleading unless the matters sought to be omitted have no possible relationship to the controversy, may confuse the issues, or otherwise prejudice a party.” *Oilier v. Sweetwater Union High Sch. Dist.*, 735 F. Supp. 2d 1222, 1223-24 (S.D. Cal. 2010) (citing *Platte Anchor Bolt, Inc. v. IHI, Inc.*, 352 F. Supp. 2d 1048, 1057 (N.D. Cal. 2004)).

“If there is any doubt whether the portion to be stricken might bear on an issue in the litigation, the court should deny the motion.” *Platte Anchor Bolt*, 352 F. Supp. 2d at 1057. When considering a motion to strike, the court should view the pleading in the

light most favorable to the nonmoving party and “resolve[] any doubt as to the relevance of the challenged allegations or sufficiency of a defense” in nonmoving party’s favor. *Alco*, 217 F. Supp. 2d at 1033. “The burden of satisfying ‘the stringent Rule 12(f) standard’ falls on the moving party.” *Mora-Villalpando v. U.S. Immigr. & Customs Enf’t*, No. C18-0655JLR, 2018 WL 3536754, at *4 (W.D. Wash. July 23, 2018) (quoting *Ellison v. Autozone Inc.*, No. C06-07522MJJ, 2007 WL 2701923, at *2 (N.D. Cal. Sept. 13, 2007)).

G. Promedev’s Motion to Strike

Promedev asks the court to strike the following material from MaXXiMedia’s amended counterclaim: (1) certain allegations in support of MaXXiMedia’s amended counterclaim for copyright infringement as immaterial and impertinent, and (2) MaXXiMedia’s demand for disgorgement of profits as improper. (Mot. at 28-32.) The court reviews each argument below.

1. Copyright Infringement Allegations

Promedev argues that some of the allegations supporting MaXXiMedia’s copyright infringement counterclaim are improper and impertinent because they refer to “creative product” for which MaXXiMedia has not obtained copyright registrations. (*Id.* at 28-29; Reply at 11; *see also* Am. Counterclaim ¶ 52 (alleging MaXXiMedia registered copyrights for commercials created only between July 2020 and August 31, 2022).) Promedev argues that because ownership of a copyright registration is a threshold requirement to an infringement suit, striking these allegations will “avoid the expenditure of time and money that must arise from litigating spurious issues.” (Mot at 29 (quoting

1 *Sidney-Vinstein v. A.H. Robins Co.*, 697 F.2d 880, 885 (9th Cir. 1983)).) MaXXiMedia
 2 responds that its copyright infringement counterclaim for unregistered works may fit an
 3 exception to the usual rule requiring registration as a precondition to suit for
 4 infringement. (Supp. Resp. at 4.) Both parties mischaracterize the law, and the court
 5 declines to adjudicate the merits of MaXXiMedia’s amended counterclaim for copyright
 6 infringement on a motion to strike. *See Platte Anchor Bolt*, 352 F. Supp. 2d at 1057
 7 (requiring denial “[i]f there is any doubt whether the portion to be stricken might bear on
 8 an issue in the litigation”).⁶

9 Promedev has failed to discharge its substantial burden of demonstrating that the
 10 paragraphs at issue lack any “logical connection to the controversy” and will prejudice
 11 Promedev. *See N.Y.C. Emps. Ret. Sys.*, 667 F. Supp. 2d at 1128. The factual content of
 12 these paragraphs may be relevant to MaXXiMedia’s amended counterclaim for copyright
 13 infringement and should not be stricken. *See id.* Moreover, Promedev’s prejudice
 14 argument, premised entirely on the expenditure of resources in “litigating spurious
 15 issues” (Mot at 29 (quoting *Sidney-Vinstein*, 697 F.2d at 885)), “is somewhat undermined
 16 by litigating [a] motion[] to strike, despite their disfavored status, rather than advancing
 17 the litigation,” *Reiffer v. HGM Holdings LLC*, No. 1:18-CV-1058-LJO-BAM, 2019 WL
 18 1455325, at *4 (E.D. Cal. Apr. 2, 2019); *see Harris v. Chipotle Mexican Grill, Inc.*, 303
 19 F.R.D. 625, 628-29 (E.D. Cal. 2014) (“The court cannot conceive how these defenses
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21 ⁶ The parties may raise their arguments regarding the availability of copyright
 22 infringement actions for unregistered works at a later time. At that time, the court expects both
 parties to accurately represent the authorities they cite.

1 will ‘cost both the parties and the [c]ourt unnecessary time and resources.’ In fact, it is
 2 more likely the parties and the court have already needlessly expended more resources on
 3 this motion.” (citation omitted)). The court DENIES MaXXiMedia’s motion to strike
 4 paragraphs 42-48 and 55-61 of MaXXiMedia’s amended counterclaim for copyright
 5 infringement.

6 2. Request for Disgorgement of Profits

7 MaXXiMedia seeks disgorgement of Promedev’s “ill-gotten gains,” from the sale
 8 of Relief Factor “from 2018 to the present.” (Am. Counterclaim at 19.) Promedev urges
 9 the court to strike this paragraph, asserting that MaXXiMedia has not alleged any claims
 10 that would entitle it to the disgorgement of profits (Mot. at 30; Reply at 11-12), and again
 11 arguing that striking this paragraph will allow Promedev to avoid litigating “spurious
 12 issues.” (Mot. at 30.) In response, MaXXiMedia asserts that disgorgement of profits is
 13 an available remedy for its amended counterclaims for copyright infringement and
 14 misappropriation of trade secrets. (Resp. at 18 (first citing *Tex. Advanced Optoelectronic*
 15 *Sols., Inc. v. Renesas Elecs. Am., Inc.*, 895 F.3d 1304, 1323 (Fed. Cir. 2018); and then
 16 citing *Harper & Row Publs. v. Nation Enters.*, 471 U.S. 539, 567 (1985)).)

17 Promedev again fails to discharge its burden under “the stringent Rule 12(f)
 18 standard,” *Mora-Villalpando*, 2018 WL 3536754, at *4, because it has failed to
 19 demonstrate MaXXiMedia’s demand for disgorgement of profits lacks any logical
 20 connection to this case or would prejudice Promedev, *see N.Y.C. Emps. Ret. Sys.*, 667 F.
 21 Supp. 2d at 1128. As Promedev acknowledges in both its motion and reply brief,
 22 disgorgement of profits is an available remedy in actions for copyright infringement

1 where the copyright owner's loss of revenue is attributable to infringement. (*See* Mot. at
2 30 (citing 17 U.S.C. § 501); Reply at 12 (discussing *Harper & Row*, 471 U.S. at 567).)

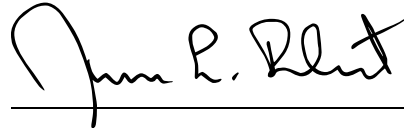
3 At this early phase of the litigation, there remains some uncertainty as to whether the
4 demand for disgorgement of profits "might bear on an issue in the litigation," and the
5 court must therefore deny the request for that reason alone. *Platte Anchor Bolt*, 352 F.
6 Supp. 2d at 1057; *see also Alco*, 217 F. Supp. 2d at 1033. The court DENIES
7 Promedev's motion to strike MaXXiMedia's demand for disgorgement of profits.

8 **IV. CONCLUSION**

9 For the foregoing reasons, the court GRANTS in part and DENIES in part
10 Promedev's motion (Dkt. # 26). Specifically, the court: (1) DENIES Promedev's motion
11 to dismiss MaXXiMedia's amended counterclaim for misappropriation of trade secrets;
12 (2) GRANTS Promedev's motion to dismiss MaXXiMedia's amended counterclaim for
13 violation of the WCPA and DISMISSES that counterclaim without prejudice and with
14 leave to amend; (3) GRANTS Promedev's motion to dismiss MaXXiMedia's amended
15 counterclaim for fraudulent inducement and fraudulent misrepresentation and
16 DISMISSES that counterclaim with prejudice and without leave to amend; and
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1 (4) DENIES Promedev's motion to strike. MaXXiMedia may file a second amended
2 counterclaim, if any, no later than **March 13, 2023**.

3 Dated this 2nd day of March, 2023.

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6 JAMES L. ROBART
7 United States District Judge
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